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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China New Energy Power Group Limited** (the “Company”), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CHINA NEW ENERGY POWER GROUP LIMITED**

**中國新能源動力集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1041)**

**PROPOSALS FOR  
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,  
RE-ELECTION OF DIRECTORS,  
ADOPTION OF NEW SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting of the Company to be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, on Friday, 25 May 2012 at 2:30 p.m. is set out on pages 28 to 33 of this circular.

A proxy form for use at the annual general meeting is enclosed with this circular. Whether or not you intend to attend the meeting or any adjournment thereof, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the annual general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

24 April 2012



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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“AGM”	the annual general meeting of the Company to be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 2:30 p.m. on Friday, 25 May 2012, notice of which is set out on pages 28 to 33 of this circular
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday and Sunday) on which banks in Hong Kong generally are open for business and the Stock Exchange is open for the business of dealing in securities
“Bye-Laws”	the bye-laws of the Company
“Commencement Date”	in respect of any particular Option, the date upon which the Option is granted in accordance with the New Share Option Scheme
“Company”	China New Energy Power Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Employee”	any full-time employee and Director (including executive Director, non-executive Director and independent non-executive Director) of the Group
“Extended Mandate”	a general mandate to add the aggregate number of Shares repurchased by the Company under the Repurchase Mandate to the Issue Mandate, subject to a maximum of 10% of the issued share capital of the Company as at the date of passing of the ordinary resolution granting such mandate

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## DEFINITIONS

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“General Mandates”	the Issue Mandate, the Repurchase Mandate and the Extended Mandate
“Grantee”	any participant who accepts an Offer in accordance with terms of the New Share Option Scheme, or (where the context so permits) the legal personal representative(s) entitled to any Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	the general mandate proposed to be granted to the Directors at the AGM to exercise the powers of the Company to allot, issue and deal with new Shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the ordinary resolution granting such mandate
“Latest Practicable Date”	20 April 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the AGM, a summary of the principal terms of which is set out in Appendix III to this circular
“Notice”	the notice convening the AGM as set out on pages 28 to 33 of this circular
“Offer”	the offer of the grant of an Option made in accordance with the New Share Option Scheme
“Offer Date”	the date on which an Offer is made to a participant of the New Share Option Scheme
“Option”	a right to subscribe for Shares pursuant to the New Share Option Scheme

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## DEFINITIONS

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“Option Period”	a period to be notified by the Board to each Grantee (provided that the period within which an Option must be exercised shall not be more than ten years commencing on the Commencement Date) subject to any restrictions as may be imposed by the Board on the exercise of an Option during the period in which an Option may be exercised
“Previous Share Option Scheme”	the previous share option scheme adopted by the Company on 19 November 2001 (as amended by an addendum effective on 22 February 2011), which has already expired on 18 November 2011
“Repurchase Mandate”	the general mandate proposed to be granted to the Directors at the AGM to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant ordinary resolution granting such mandate
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option as described in the New Share Option Scheme
“Subsidiary” or “Subsidiaries”	company(ies) which is/are for the time being subsidiary(ies) (within the meaning of the Companies Ordinance) of the Company
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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LETTER FROM THE BOARD

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**CHINA NEW ENERGY POWER GROUP LIMITED**

**中國新能源動力集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1041)**

*Executive Directors:*

Zhang Xi (*Joint Chairman*)  
Ip Cheng Kuong (*Joint Chairman*)  
Fei Phillip (*Vice Chairman*)  
Catherine Chen (*Managing Director*)  
Yeung Tsoi San (*Chief Executive Officer*)  
Yeung Kwok Yu  
Chiu Kong  
Kwan Kam Hung, Jimmy  
Wah Wang Kei, Jackie  
Chen Guang Lin

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Unit 2807, 28/F., The Center  
99 Queen's Road Central  
Central, Hong Kong

*Independent non-executive Directors:*

Ma Yin Fan  
Leung Hoi Ying  
Yu Pan

24 April 2012

*To the Shareholders,*

Dear Sir or Madam,

**PROPOSALS FOR  
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,  
RE-ELECTION OF DIRECTORS,  
ADOPTION OF NEW SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

At the last annual general meeting of the Company held on 2 June 2011, general mandates were given to the Directors to exercise the powers of the Company to issue Shares and to repurchase Shares. Such mandates will lapse at the conclusion of the AGM. In addition, the Previous Share Option Scheme adopted by the Company on 19 November 2001 has already expired on 18 November 2011. Ordinary resolutions will therefore be proposed at the AGM for, inter alia, (i) the granting of the general mandates to issue Shares and to repurchase Shares and (ii) the adoption of the New Share Option Scheme.

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## **LETTER FROM THE BOARD**

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The purpose of this circular is to provide you with the relevant information regarding the resolutions to be proposed at the AGM, including the proposed grant of the General Mandates, the proposed re-election of the retiring Directors and the proposed adoption of the New Share Option Scheme.

### **2. ISSUE MANDATE**

At the AGM, ordinary resolutions will be proposed to grant to the Directors a general and unconditional mandate to exercise the powers of the Company (i) to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of the relevant resolution at the AGM; and (ii) to add the aggregate number of Shares repurchased by the Company under the Repurchase Mandate to the Issue Mandate, subject to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution. As at the Latest Practicable Date, a total of 7,624,293,000 Shares were in issue. Subject to the passing of the proposed resolution granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of the AGM, the Company will be allowed under the Issue Mandate to issue a maximum of 1,524,858,600 Shares.

### **3. REPURCHASE MANDATE**

An ordinary resolution will be proposed at the AGM to grant to the Directors a general and unconditional mandate to exercise all powers of the Company to repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, Shares not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of the relevant resolution at the AGM.

Under the Listing Rules, the Company is required to give to the Shareholders all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the Repurchase Mandate at the AGM. An explanatory statement for such purpose is set out in Appendix I to this circular.

### **4. PROPOSED RE-ELECTION OF DIRECTORS**

Pursuant to the Bye-Laws, Mr. Zhang Xi, Ms. Catherine Chen, Mr. Yeung Kwok Yu and Mr. Kwan Kam Hung, Jimmy will retire as Directors and, being eligible, have offered themselves for re-election in accordance with the Bye-Laws at the AGM. Particulars of their biographical details are set out in Appendix II to this circular.

### **5. PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME**

The Company adopted the Previous Share Option Scheme on 19 November 2001 whereby the Directors had been authorised to select, at their absolute discretion, participants under the Previous Share Option Scheme to take up options to subscribe for Shares.

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## LETTER FROM THE BOARD

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The Previous Share Option Scheme has already expired on 18 November 2011 and all outstanding options granted to the Directors, executives and employees of the Company under the Previous Share Option Scheme were expired. It is therefore proposed that the New Share Option Scheme be adopted at the AGM.

The purpose of the New Share Option Scheme is to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The New Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. The principal terms of the New Share Option Scheme are set out in Appendix III to this circular.

The New Share Option Scheme shall take effect subject to:

- (i) the passing of an ordinary resolution by the Shareholders in the AGM for the approval for the adoption of the New Share Option Scheme and to authorise the Directors to grant Options to subscribe for Shares thereunder and to allot, issue and deal in the Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval (whether subject to conditions or not) of the New Share Option Scheme and any Options which may be granted thereunder, and the listing of and permission to deal in any Shares which may be issued pursuant to the exercise of Options, initially up to the limit equal to 10% of the total number of Shares in issue as at the date of the AGM.

If any of the above conditions are not satisfied on or before 31 July 2012 (or such later date as the Shareholders may agree), the New Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the New Share Option Scheme.

Assuming that the New Share Option Scheme has been adopted at the AGM, the maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted under the New Share Option Scheme and any other share option scheme(s) of the Company may represent up to 10% of the issued share capital of the Company on the date of approval by the Shareholders of the New Share Option Scheme.

As at the Latest Practicable Date, the issued share capital of the Company comprised 7,624,293,000 Shares. Assuming that prior to the date of the AGM, no Shares are issued or repurchased by the Company, the total number of Shares issuable pursuant to the New Share Option Scheme on the date of its adoption will be 762,429,300 Shares, representing 10% of the issued share capital of the Company as at the date of passing of the ordinary resolution approving and adopting the New Share Option Scheme. Options to subscribe for up to 762,429,300 Shares will be available to be granted by the Directors under the New Share Option Scheme. None of the Directors is a trustee of the New Share Option Scheme or has a direct or indirect interest in such trustee (if any) of the New Share Option Scheme.



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## LETTER FROM THE BOARD

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The New Share Option Scheme does not contain any specific requirements for the minimum period which an Option must be held or the performance target that needs to be achieved by the Grantee before the Options can be exercised. The Directors have retained the flexibility to impose such conditions if and when they consider appropriate.

### **Value of the Options**

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date prior to the approval of the New Share Option Scheme given that variables, such as the subscription price, exercise period, interest rate and expected volatility, cannot be determined for the purpose of calculating the value of the Options. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions will not be meaningful to the Shareholders in the circumstances.

The New Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. Application will be made to the Listing Committee of the Stock Exchange for granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any Options to be granted under the New Share Option Scheme. The Shares are only listed on the Stock Exchange and not on any other stock exchange.

Copy of the rules of the New Share Option Scheme will be available for inspection at Unit 2807, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday (except Saturdays and public holidays) for the period from the date of this circular until the date of the AGM. Such copy will also be available for inspection at the AGM.

### **6. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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## LETTER FROM THE BOARD

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### 7. AGM

A notice convening the AGM is set out on pages 28 to 33 of this circular.

Enclosed with this circular is a proxy form for use at the AGM. Whether or not you intend to attend the AGM or any adjournment thereof, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish. In the event that a shareholder having lodged a proxy form attends the AGM, his/her proxy form will be deemed to be revoked.

### 8. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of Shareholders at a general meeting must be taken by poll except for purely procedural or administrative matters. The Chairman of the AGM will therefore put each of the resolutions to be proposed at the AGM to be voted by way of a poll pursuant to Bye-law 66 of the Bye-Laws. The Company will then announce the results of the poll in the manner stipulated under Rule 13.39(5) of the Listing Rules.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on any resolutions to be approved at the AGM.

### 9. RECOMMENDATION

The Directors believe that the proposed grant of the General Mandates, the proposed re-election of the retiring Directors and the proposed adoption of the New Share Option Scheme are in the best interests of the Company and its Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the resolutions as set out in the Notice at the AGM.

Yours faithfully,  
For and on behalf of the Board  
**Zhang Xi**  
*Joint Chairman*

*The following is the explanatory statement required to be sent to shareholders of the Company under Rule 10.06(1)(b) of the Listing Rules to provide requisite information for Shareholders to make an informed decision whether to vote for or against the resolution to approve the Repurchase Mandate.*

### **I. Share capital**

As at the Latest Practicable Date, the issued share capital of the Company comprised 7,624,293,000 Shares. Subject to the passing of the resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased after the Latest Practicable Date up to the date of passing of the relevant resolution at the AGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 762,429,300 Shares, representing 10% of the issued share capital of the Company as at the date of passing of the relevant resolution at the AGM.

### **II. Reasons for repurchases**

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders as a whole. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders as a whole.

### **III. Funding of repurchases**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and Bye-Laws, the Listing Rules and the applicable laws of Bermuda. A listed company may not repurchase its own shares on the Main Board of the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. The laws of Bermuda provide that the amount to be paid in connection with a Share repurchase may only be paid out of the capital paid up on the relevant purchased Shares or out of the funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose. The amount of premium payable on a repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium account of the Company. It is envisaged that the funds required for any repurchase under the Repurchase Mandate would be derived from such sources.

There might be a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts of the Company for the year ended 31 December 2011 in the event that the repurchase of Shares under the Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

#### IV. Shares repurchases made by the company

The Company had not repurchased any of its Shares (whether on the Stock Exchange or otherwise) in the last six months preceding the Latest Practicable Date.

#### V. Share prices

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the twelve months up to the Latest Practicable Date were as follows:

Month	Price per share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2011</b>		
April	0.390	0.280
May	0.370	0.280
June	0.335	0.210
July	0.345	0.265
August	0.300	0.230
September	0.285	0.159
October	0.199	0.120
November	0.181	0.155
December	0.163	0.139
<b>2012</b>		
January	0.163	0.138
February	0.215	0.155
March	0.225	0.148
April (up to the Latest Practicable Date)	0.166	0.139

#### VI. Undertaking and disclosure of interests

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is approved by the Shareholders.

No connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company or its subsidiaries and no such person has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

## VII. Takeovers Code

If as a result of repurchase of Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert (as interpreted according to the Takeovers Code), depending on the level of the increase of the shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge of the Directors, the following Shareholders were interested in 5% or more of the issued Shares as recorded in the register of interests in shares and short position of the Company under Section 336(1) of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding as at the Latest Practicable Date	Approximate percentage of shareholding if the Company exercise in full the power to repurchase Shares (Note 1)
So Chi Ming	Beneficial owner	1,000,000,000	13.11%	14.57%
Ng Leung Ho	Beneficial owner	600,000,000	7.86%	8.74%
Lau Yung (Note 2)	Interests in controlled corporation	2,523,809,521	33.10%	36.78%
Hefu Limited (Note 2)	Beneficial owner	2,523,809,521	33.10%	36.78%

*Notes:*

- (1) The percentages were calculated based on the Company's issued share capital of 7,624,293,000 Shares as at the Latest Practicable Date and on the assumptions that there is no other change in the issued share capital of the Company and that none of the conversion rights attached to the convertible notes issued by the Company are exercised prior to the AGM.
- (2) Pursuant to an acquisition agreement (the "Acquisition Agreement") entered into between Hefu Limited and Fulbond Investments Limited, a wholly owned subsidiary of the Company, on 13 January 2011, Hefu Limited will be interested in 2,523,809,521 shares of the Company to be allotted and issued by the Company as consideration shares in different stages subject to the terms and conditions of the Acquisition Agreement. Mr. Lau Yung is deemed to be interested in those shares of the Company interested by Hefu Limited, a company which is held as to 97% by Mr. Lau Yung.

In the event that the Directors shall exercise in full the power to repurchase Shares in accordance with the Repurchase Mandate and assuming there is no other change in the issued share capital of the Company before the date of the AGM, the interest of the above substantial Shareholders would be increased to the approximate percentage as shown in the last column above.

The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases under the Repurchase Mandate. The Company will not repurchase shares to such extent as to result in the amount of Shares held by the public being reduced to less than 25% of the total share capital of the Company.

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## APPENDIX II PARTICULARS OF DIRECTORS PROPOSED FOR RE-ELECTION

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The biographical details of the Directors eligible for re-election at the AGM are set out below:

- (i) **Mr. Zhang Xi** (“**Mr. Zhang**”), aged 43, is the Group’s joint chairman and a member of the remuneration committee of the Company. Mr. Zhang joined us in December 2006. He obtained a bachelor degree in economics from the University of Xiamen, PRC in 1990. He has extensive experience in private equity investments in the PRC. Mr. Zhang set up Great Time Holdings Limited in Hong Kong in 1999, the principal business of which includes investments in a mechanical electrical engineering company in Fuzhou, China, which is engaged in manufacturing of power machine equipment, electrical equipment, food processing equipment, the design and process of the relevant components and after-sale services and in a high technology company in Beijing, which is engaged in research, development and manufacturing of smart construction materials. Mr. Zhang was an executive director of BEP International Holdings Limited until 14 August 2009, whose shares are listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, Mr. Zhang was beneficially interested in 159,282,600 Shares of the Company.

As at the Latest Practicable Date and save as disclosed above, Mr. Zhang did not (a) hold any other position with the Company or other members of the Group; (b) have any interest or short position in any Shares, underlying Shares or debentures of the Company and its associated corporations which fall to be disclosed under Part XV of the SFO; (c) have any relationship with any other Directors, senior management or substantial or controlling Shareholders of the Company; and (d) hold any other directorship in any Hong Kong or overseas listed public companies in the last three years. Mr. Zhang has entered into a service contract with the Company. Mr. Zhang’s directorship with the Company shall be for a term of three years commencing from 30 December 2011 and shall determine upon expiry subject to renewal by mutual agreement between the Company and Mr. Zhang prior thereto and in compliance with the Listing Rules. Mr. Zhang is also subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-Laws. Mr. Zhang is entitled to receive an annual remuneration of HK\$650,000. His emoluments are determined with reference to his duties and responsibilities within the Group and the prevailing market conditions.

Save as disclosed above, Mr. Zhang is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under rule 13.51(2) of the Listing Rules.

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## APPENDIX II PARTICULARS OF DIRECTORS PROPOSED FOR RE-ELECTION

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- (ii) **Ms. Catherine Chen** (“**Ms. Chen**”), aged 52, is the managing director of the Group and a director of certain subsidiaries of the Group. Ms. Chen joined us in December 2006. She has extensive experience in project investment, marketing research and the provision of consultancy services in relation to businesses of foreign enterprises in the PRC. She obtained a master of business administration (marketing) degree from The University of Liverpool in 2001.

As at the Latest Practicable Date and save as disclosed above, Ms. Chen did not (a) hold any other position with the Company or other members of the Group; (b) have any interest or short position in any Shares, underlying Shares or debentures of the Company and its associated corporations which fall to be disclosed under Part XV of the SFO; (c) have any relationship with any other Directors, senior management or substantial or controlling Shareholders of the Company; and (d) hold any other directorship in any Hong Kong or overseas listed public companies in the last three years. Ms. Chen has entered into a service contract with the Company. Ms. Chen’s directorship with the Company shall be for a term of three years commencing from 30 December 2011 and shall determine upon expiry subject to renewal by mutual agreement between the Company and Ms. Chen prior thereto and in compliance with the Listing Rules. Ms. Chen is also subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-Laws. Ms. Chen is entitled to receive an annual remuneration of HK\$650,000. Her emoluments are determined with reference to her duties and responsibilities within the Group and the prevailing market conditions.

Save as disclosed above, Ms. Chen is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under rule 13.51(2) of the Listing Rules.

- (iii) **Mr. Yeung Kwok Yu** (“**Mr. Yeung**”), aged 60, is a director of certain subsidiaries of the Group and a member of the nomination committee of the Company. Mr. Yeung joined us in July 2009. Mr. Yeung had held management positions in trading companies which were based in the PRC and Hong Kong. He was also engaged as senior management in various listed companies in Hong Kong. Mr. Yeung has extensive experience in general trading, strategic investment planning and business development. Mr. Yeung is currently an executive director of CST Mining Group Limited (“CST”) and was also an executive director of China Strategic Holdings Limited until 10 December 2009, companies whose shares are listed on the Main Board of the Stock Exchange.

Mr. Yeung is the brother-in-law of Mr. Chiu Kong, the executive Director of the Company.



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**APPENDIX II PARTICULARS OF DIRECTORS PROPOSED FOR RE-ELECTION**

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As at the Latest Practicable Date and save as disclosed above, Mr. Yeung did not (a) hold any other position with the Company or other members of the Group; (b) have any interest or short position in any Shares, underlying Shares or debentures of the Company and its associated corporations which fall to be disclosed under Part XV of the SFO; (c) have any relationship with any other Directors, senior management or substantial or controlling Shareholders of the Company; and (d) hold any other directorship in any Hong Kong or overseas listed public companies in the last three years. Mr. Yeung has entered into a service contract with the Company. The service contract is for a term of two years commencing from 1 April 2012 and shall determine upon expiry subject to renewal by mutual agreement between the Company and Mr. Yeung prior thereto and in compliance with the Listing Rules. Mr. Yeung's directorship with the Company is also subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-Laws. There will be no fixed director's fee according to the service contract but Mr. Yeung will be entitled to a discretionary bonus, which will be determined at the sole and absolute discretion of the Board by reference to the performance of Mr. Yeung and the Group's performance for the financial year concerned and based on the recommendation from the remuneration committee of the Company from time to time.

Mr. Yeung was bankrupted in 2004 and was discharged on 4 September 2008. He was the director of Win Gain Properties Limited which was incorporated in Hong Kong and principally engaged in property holding. On 2 March 2004, the winding up petition was filed against Win Gain Properties Limited and the amount involved was approximately HK\$21 million and it was wound up by an order of the court dated 9 August 2004. He was also the director of Wonson Investments Limited which was incorporated in Hong Kong and principally engaged in general trading. On 2 March 2004, the winding up petition was filed against Wonson Investments Limited and the amount involved was approximately US\$1.45 million and it was wound up by an order of the court dated 9 August 2004.

In or about February 2000, due to the failure by Wonson International Holdings Limited (which shares are listed in the Main Board of the Stock Exchange) to keep its shareholders and the Stock Exchange timely informed of a change in the use of proceeds relating to its initial public offering, Mr. Yeung was publicly censured by the Stock Exchange for the breach of his Declarations and Undertakings with regard to the Directors given by him to the Stock Exchange.

Save as disclosed above, Mr. Yeung is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under rule 13.51(2) of the Listing Rules.

## APPENDIX II PARTICULARS OF DIRECTORS PROPOSED FOR RE-ELECTION

- (iv) **Mr. Kwan Kam Hung, Jimmy** (“**Mr. Kwan**”), aged 50, is a director of certain subsidiaries of the Group. Mr. Kwan joined the Company in November 2009. He has been engaged as a senior manager with various listed companies in Hong Kong. Mr. Kwan has over 15 years of experience in the fields of finance and accounting and corporate management. Mr. Kwan is currently an executive director of CST and G-Resources Group Limited, companies whose shares are listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date and save as disclosed above, Mr. Kwan did not (a) hold any other position with the Company or other members of the Group; (b) have any interest or short position in any Shares, underlying Shares or debentures of the Company and its associated corporations which fall to be disclosed under Part XV of the SFO; (c) have any relationship with any other Directors, senior management or substantial or controlling Shareholders of the Company; and (d) hold any other directorship in any Hong Kong or overseas listed public companies in the last three years. Mr. Kwan has entered into a service contract with the Company. The service contract is for a term of two years commencing from 1 April 2012 and shall determine upon expiry subject to renewal by mutual agreement between the Company and Mr. Kwan prior thereto and in compliance with the Listing Rules. Mr. Kwan’s directorship with the Company is also subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-Laws. There will be no fixed director’s fee according to the service contract but Mr. Kwan will be entitled to a discretionary bonus, which will be determined at the sole and absolute discretion of the Board by reference to the performance of Mr. Kwan and the Group’s performance for the financial year concerned and based on the recommendation from the remuneration committee of the Company from time to time.

Mr. Kwan was the director of the following companies which were incorporated in Hong Kong and were wound up and the relevant details are as follows:

	<b>Name of the relevant company</b>	<b>Principal activity of the relevant company</b>	<b>The amount involved in winding-up</b>	<b>Date of filing of winding-up petition</b>	<b>Date of winding-up</b>
1.	WIN GAIN PROPERTIES LIMITED 永盈物業有限公司	Property holding	HK\$21 million	2 March 2004	9 August 2004
2.	WONSON INVESTMENTS LIMITED 和成投資有限公司	General trading	US\$1.45 million	2 March 2004	9 August 2004

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**APPENDIX II PARTICULARS OF DIRECTORS PROPOSED FOR RE-ELECTION**

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Mr. Kwan was the director of the following companies which were incorporated in Hong Kong and were deregistered and the relevant details are as follows:

	<b>Name of the relevant company</b>	<b>Principal activity of the relevant company</b>	<b>Date of deregistration</b>
1.	BATE INVESTMENTS (HONG KONG) LIMITED 巴特投資(香港)有限公司	Investment holding	28 July 2000
2.	BONNIE ALUMINIUM INDUSTRY LIMITED 匯英鋁業有限公司	Investment holding	14 July 2000
3.	GOODSTONE DEVELOPMENT LIMITED 精石發展有限公司	Investment holding	14 July 2000
4.	NEW CENTURY NETWORK COMMUNICATION LIMITED 新紀元網絡通訊有限公司	Investment holding	3 September 2004
5.	SMARTRICH PETROLEUM LIMITED 匯發石油有限公司	Investment holding	23 June 2000
6.	SMARTRICH SHIPPING LIMITED 匯發海運有限公司	Investment holding	23 June 2000
7.	WONSON (ASIA) LIMITED 和成(亞洲)有限公司	Investment holding	27 October 2000
8.	WONSON (H.K.) PHARMACEUTICAL COMPANY LIMITED 香港和成藥廠有限公司	General trading	14 July 2000
9.	YIELD HOPE FAR EAST LIMITED 英浩遠東有限公司	Investment holding	14 July 2000

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**APPENDIX II PARTICULARS OF DIRECTORS PROPOSED FOR RE-ELECTION**

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In or about February 2000, due to the failure by Wonson International Holdings Limited (which shares are listed in the Main Board of the Stock Exchange) to keep its shareholders and the Stock Exchange timely informed of a change in the use of proceeds relating to its initial public offering, Mr. Kwan was publicly censured by the Stock Exchange for the breach of his Declarations and Undertakings with regard to the Directors given by him to the Stock Exchange.

Save as disclosed above, Mr. Kwan is not aware of any other matters that need to be brought to the attention of the holders of securities of the Company nor is there any information to be disclosed by the Company pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

*The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted at the AGM:*

## **1. PURPOSE OF THE NEW SHARE OPTION SCHEME**

The purpose of the New Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The New Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

## **2. CONDITIONS**

2.1 The New Share Option Scheme shall take effect subject to:

- (i) the passing of an ordinary resolution by the Shareholders in the AGM for the approval for the adoption of the New Share Option Scheme and to authorise the Directors to grant Options to subscribe for Shares thereunder and to allot, issue and deal in the Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval (whether subject to conditions or not) of the New Share Option Scheme and any Options which may be granted thereunder, and the listing of and permission to deal in any Shares which may be issued pursuant to the exercise of Options, initially up to the limit equal to 10% of the total number of Shares in issue as at the date of the AGM.

2.2 If any of the above conditions are not satisfied on or before 31 July 2012 (or such later date as the Shareholders may agree), the New Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the New Share Option Scheme.

## **3. DURATION**

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption after which period no further Options will be granted but the provisions of the New Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the New Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

**4. PARTICIPANTS OF THE NEW SHARE OPTION SCHEME**

On and subject to the provisions of the Listing Rules and the terms of the New Share Option Scheme, the Board shall be entitled at any time during the life of the New Share Option Scheme to make an Offer to any participant in the categories classified in paragraphs 4(i), (ii) and (iii) below as the Board may in its absolute discretion impose any conditions, restrictions or limitations in relation to the Options and select to take up Options in respect of such number of Shares as the Board may determine at the subscription price determined in accordance with paragraph 5 below. The participants are as follows:

- (i) any full-time employee and director (including executive director, non-executive director and independent non-executive director) of the Group (collectively “Employee”);
- (ii) any advisor or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole determination of the Board, has contributed to the Group (the assessment criterion of which are (a) such person’s contribution to the development and performance of the Group; (b) the quality of work performed by such person for the Group; (c) the initiative and commitment of such person in performing his or her duties; and (d) the length of service or contribution of such person to the Group) (collectively “Business Associate”); and
- (iii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group (collectively “Trustee”).

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (including but not limited to by linking their exercise to the attainment or performance of milestones by the Group, the Grantee or any group of participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the New Share Option Scheme.

**5. SUBSCRIPTION PRICE FOR SHARES UNDER THE NEW SHARE OPTION SCHEME**

The subscription price per Share at which a Grantee may subscribe for Shares on the exercise of Options under the New Share Option Scheme as determined by the Board shall be no less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date on which the Option is granted, which date must be a Business Day;
- (ii) the average closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five Business Days immediately preceding the date on which the Option is granted; and

(iii) the nominal value of a Share.

#### **6. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION**

- (i) The total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme unless the Company obtains a fresh approval from the Shareholders pursuant to paragraph 6(ii) below.
- (ii) The Company may seek approval of Shareholders in general meeting to renew the 10% limit set out in paragraph 6(i) above such that the total number of Shares in respect of which Options may be granted by the Board under the New Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the total number of Shares in issue as at the date of approval of the renewed limit.
- (iii) The Company may grant Options to specified participant(s) beyond the 10% limit set out in paragraph 6(i) above provided that the Options granted in excess of such limit are specifically approved by the Shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought.
- (iv) Notwithstanding the foregoing and subject to the paragraph 7 below, the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any options outstanding and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

#### **7. MAXIMUM NUMBER OF OPTIONS TO EACH PARTICIPANT**

- (i) Subject to paragraphs 7(iii) and 7(iv) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each participant (including exercised, cancelled and outstanding Options) in any twelve-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding paragraph 7(i) above, any further grant of Options to a participant in excess of the 1% limit shall be subject to Shareholders' approval with such participant and his associates abstaining from voting. The number and terms of the Options to be granted to such participant shall be fixed before Shareholders' approval of the grant of such Options and the date of board meeting for proposing such further grant should be taken as at the date of Offer for the purpose of calculating the subscription price for Shares under the New Share Option Scheme.

- (iii) In addition to paragraphs 7(i) and 7(ii) above, any grant of Options to a participant who is a director, chief executive or substantial shareholder (each has the meaning as ascribed to it under the Listing Rules) of the Company or their respective associates must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the participant).
  
- (iv) Where the Board proposes to grant any Option to a participant who is a substantial shareholder or an independent non-executive director of the Company or any of their respective associates and such Option which if exercised in full, would result in such participant becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued, and issuable, to him or her pursuant to all the Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the twelve-month period up to and including the proposed Offer Date of such grant (the “Relevant Date”):
  - (a) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and
  - (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK\$5,000,000;

such proposed grant of Options must be approved by the Shareholders in general meeting and the Company must send a circular to the Shareholders, the participants concerned and all other connected persons of the Company must abstain from voting in favour at such general meeting (except where any connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

## **8. OFFER AND ACCEPTANCE**

- (i) An Offer shall be made to a participant by letter in such form as the Board may from time to time determine requiring the participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the participant to whom an Offer is made for a period of twenty-eight (28) days from the Offer Date.
  
- (ii) An Offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company.



**9. TRANSFERABILITY OF OPTIONS**

An Option shall be granted personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option.

**10. PERFORMANCE TARGET**

No performance target need to be achieved by the Grantee before the Options can be exercised, unless otherwise determined by the Board.

**11. MINIMUM PERIOD HELD FOR AN OPTION**

No minimum period for which an Option must be held before it can be exercised, unless otherwise determined by the Board.

**12. TIME OF EXERCISE OF OPTIONS**

Subject to the terms and conditions upon which the Option was granted, the Option may be exercised by the Grantee at any time during the Option Period.

**13. IF A GRANTEE CEASED TO BE A PARTICIPANT BY REASON OTHER THAN DEATH OR MISCONDUCT**

If the Grantee ceases to be a participant for any reason other than on the Grantee's death or the termination of the Grantee's employment or directorship on one or more of the grounds specified in paragraph 21(iv) below, the Grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of nine (9) months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company, as the case may be, failing which it will lapse.

**14. ON DEATH OF A GRANTEE**

If the Grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the Grantee's employment or directorship under paragraph 21(iv) below arises, the personal representative(s) of the Grantee shall be entitled within a period of twelve (12) months, or such longer period as the Board may determine from the date of death, to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent not already exercised), failing which it will lapse.

**15. RIGHTS ON TAKEOVER**

If a general offer by way of take-over is made to all the Shareholders (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror (as defined in the Takeovers Code)) with the terms of the offer having been approved by the Shareholders of not less than nine-tenths in value of the Shares comprised in the offer within four (4) months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the Grantee (or where appropriate, his or her legal personal representatives) shall be entitled to exercise the Option in full (to the extent not already exercised) even though the Option Period has not come into effect during the occurrence of the general offer within twenty-one (21) days after the date of such notice by the offeror.

**16. RIGHTS ON WINDING-UP**

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal representatives) may by notice in writing to the Company (such notice to be received by the Company not later than four (4) Business Days prior to the proposed Shareholders' meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise.

**17. RIGHTS ON COMPROMISE OR ARRANGEMENT BETWEEN THE COMPANY  
AND ITS MEMBERS OR CREDITORS**

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the Grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two (2) months thereafter and the date on which such compromise or arrangement is sanctioned by the court, provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the New Share Option Scheme. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

**18. EFFECT ON REORGANISATION OF CAPITAL STRUCTURE**

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of the share capital of the Company, or otherwise howsoever in accordance with the legal requirements and requirements of the Stock Exchange, other than any alteration in the capital structure of the Company as a result of an issue of shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to the Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to the Shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised;  
or
- (ii) the subscription price for Shares under the New Share Option Scheme;

or any combination thereof, as the Company's auditors or independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have, in their opinions, fairly and reasonably satisfied the requirement that such adjustments shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value. The capacity of the Company's auditors or the independent financial adviser in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Company's auditors or the independent financial adviser shall be borne by the Company.

**19. RANKING OF SHARES**

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the bye-laws of the Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue as from the date of allotment and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment.

**20. CANCELLATION OF OPTIONS**

The Board may at any time in its absolute discretion cancel Options previously granted to, but not yet exercised by such Grantee. Where the Company cancels Options and offers Options to the same Grantee, the offer of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph 6 above.

**21. LAPSE OF OPTION**

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period (subject to paragraph 3 above);
- (ii) the expiry of the periods referred to in paragraphs 13 to 16 above;
- (iii) subject to the scheme of arrangement or scheme for reconstruction or amalgamation becoming effective, the expiry of the period referred to in paragraph 17 above;
- (iv) the date on which:
  - (a) the Grantee being an Employee, ceases to be an employee or director of the Group by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty; or
  - (b) the Grantee being a Business Associate who is an advisor or consultant to the Group, and the Business Associate is under any contract with the Group, such contract is terminated by reason of breach of contract on the part of the Business Associate; or
  - (c) the Grantee being a Business Associate, appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or ceases or threatens to cease to carry on its business, or is wound up, or has an administrator or liquidator being appointed for the whole or any part of its undertaking or assets; or has been convicted of any criminal offence involving integrity or honesty; or
  - (d) the Grantee being a Trustee, the relevant beneficiary being an Employee or a Business Associate, any one of the events referred to in paragraphs 21(iv)(a) to 21(iv)(c) above occurs to such beneficiary,

provided that whether any one or more of the events specified in the above occur in relation to a Grantee shall be solely and conclusively determined by the Board;

- (v) the close of four (4) Business Days prior to the Shareholders' meeting held for the purpose of approving the voluntary winding-up of the Company, subject to the resolution approving the voluntary winding-up of the Company being duly passed;
- (vi) the date of the commencement of the winding-up of the Company;
- (vii) the date on which the Option is cancelled by the Board as provided in paragraph 20 above; and
- (viii) the date on which the conditions of the grant of the Option as determined by the Board under paragraph 4 above have not been satisfied or fulfilled (including, inter alia, the failure to satisfy any conditions precedent of grant or the failure to vest the Options or to meet or attain any milestones under the grant).

## **22. ALTERATION OF SHARE OPTION SCHEME**

The New Share Option Scheme may be altered in any respect by resolution of the Board save that the provisions of the New Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to extend the class of person eligible for the grant of Options or to the advantage of Grantees or prospective Grantees, except with the prior approval of the Shareholders in general meeting. No such alteration shall operate to affect adversely the terms of issue of any Options granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the bye-laws for the time being of the Company for a variation of the rights attached to the Shares. Save as provided in this paragraph, the terms of any Option granted or agreed to be granted may be altered in such manner as may be determined by the Board and notified to the Grantee.

Any alteration to the terms and conditions of the New Share Option Scheme, which is of a material nature or any change to the terms of any Option granted, must be approved by the Stock Exchange and the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the New Share Option Scheme. Any amendment or alteration to the terms and conditions of the New Share Option Scheme shall comply with Chapter 17 of the Listing Rules. Any change to the authority of the Board or administrators of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

## **23. TERMINATION OF THE SHARE OPTION SCHEME**

The Company may by ordinary resolution in general meeting terminate or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme in relation to any outstanding Options shall remain in full force and effect.

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## NOTICE OF ANNUAL GENERAL MEETING

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### CHINA NEW ENERGY POWER GROUP LIMITED

中國新能源動力集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1041)**

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “AGM”) of China New Energy Power Group Limited (the “Company”) will be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 2:30 p.m. on Friday, 25 May 2012 for the following purposes:

#### **As Ordinary Businesses**

1. To receive and consider the audited consolidated financial statements and the reports of the directors of the Company (individually, a “Director” and collectively, the “Directors”) and the auditor of the Company for the year ended 31 December 2011;
2. To re-elect Mr. Zhang Xi as executive Director and to authorise the board of Directors (the “Board”) to fix his remuneration;
3. To re-elect Ms. Catherine Chen as executive Director and to authorise the Board to fix her remuneration;
4. To re-elect Mr. Yeung Kwok Yu as executive Director and to authorise the Board to fix his remuneration;
5. To re-elect Mr. Kwan Kam Hung Jimmy as executive Director and to authorise the Board to fix his remuneration;
6. To re-appoint Messrs. Deloitte Touche Tohmatsu as auditor and to authorise the Board to fix its remuneration;

#### **As Special Businesses**

7. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as ordinary resolution:

**“THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited

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## NOTICE OF ANNUAL GENERAL MEETING

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(the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of US\$0.001 each in the share capital of the Company (the “Shares”) or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) above shall be in addition to any other authorisations given to the Directors and shall authorise the Directors during the Relevant Period (as defined below) to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers at any time during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
  - (i) a Rights Issue (as defined in paragraph (f) below);
  - (ii) an exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
  - (iii) an exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or such other persons eligible to participate in any such scheme(s) or arrangement of Shares or rights to acquire Shares;
  - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company (the “Bye-Laws”);
  - (v) a specific authority granted by the shareholders of the Company in general meeting,

shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly;

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(d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked;

(e) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiry of the period within which the next annual general meeting of the Company is required by the Bye-Laws or any applicable laws of Bermuda to be held; or

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Shareholders in general meeting; and

(f) “Rights Issue” means an offer of Shares or other equity securities of the Company open for a period fixed by the Directors to the holders of Shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong applicable to the Company).”

8. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as ordinary resolution:

**“THAT:**

(a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and regulations of Hong Kong, Bermuda, the Bye-Laws and the requirements of the Listing Rules or rules of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;



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- (b) the aggregate nominal amount of Shares to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period (as defined below) shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly;
- (c) any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiry of the period within which the next annual general meeting of the Company is required by the Bye-Laws or any applicable laws of Bermuda to be held; or
  - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Shareholders in general meeting.”
9. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as ordinary resolution:

“**THAT** subject to the passing of Resolutions No. 7 and No. 8 set out in the notice convening this meeting, the general mandate granted to the Directors to allot, issue and deal with additional shares pursuant to the Resolution No. 7 as set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to the Resolution No. 8 as set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution.”

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## NOTICE OF ANNUAL GENERAL MEETING

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10. To consider and, if thought fit, to pass, with or without modification, the following resolution which will be proposed as ordinary resolution:

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the share option scheme of the Company (the “New Share Option Scheme”) (copy of which is produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification), the rules of the New Share Option Scheme be and is hereby approved and adopted and the board of directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and arrangements as may be necessary or expedient in order to give effect to the New Share Option Scheme including but without limitation:

- i. to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for shares of the Company (the “Shares”);
- ii. to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
- iii. to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the New Share Option Scheme;
- iv. to make application at the appropriate time or times to the Stock Exchange, and any other stock exchange upon which the issued Shares may for the time being be listed, for listing of and permission to deal in any Shares which may from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and
- v. to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.”

By Order of the Board  
**China New Energy Power Group Limited**  
**Zhang Xi**  
*Joint Chairman*

Hong Kong, 24 April 2012

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## NOTICE OF ANNUAL GENERAL MEETING

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*Head office and principal place of  
business in Hong Kong:*

Unit 2807, 28/F., The Center,  
99 Queen's Road Central,  
Central, Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the AGM convened by the notice of AGM is entitled to appoint one proxy or more proxies (if the member holds two or more Shares) to attend and vote instead of him at the AGM. A proxy need not be a member of the Company.
2. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the AGM.
3. In the case of joint holders of any Share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
4. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM in person if you so wish. In the event that you attend the AGM, the form of proxy will be deemed to be revoked.
5. An explanatory statement containing further details regarding Resolution 8 above is set out in Appendix I to the circular of which this notice of AGM forms part (the "Circular").
6. Particulars of the retiring Directors are set out in Appendix II to the Circular.
7. The principal terms of the New Share Option Scheme are set out in Appendix III to the Circular.
8. A form of proxy for use in connection with the AGM is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.cnepgl.com](http://www.cnepgl.com)).